

## *The President's Daily Brief*

3 May 1969

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~~Top Secret~~

*FOR THE PRESIDENT ONLY*

I. MAJOR PROBLEMS

VIETNAM

Some enemy units are preparing for renewed offensive activity in the near future.

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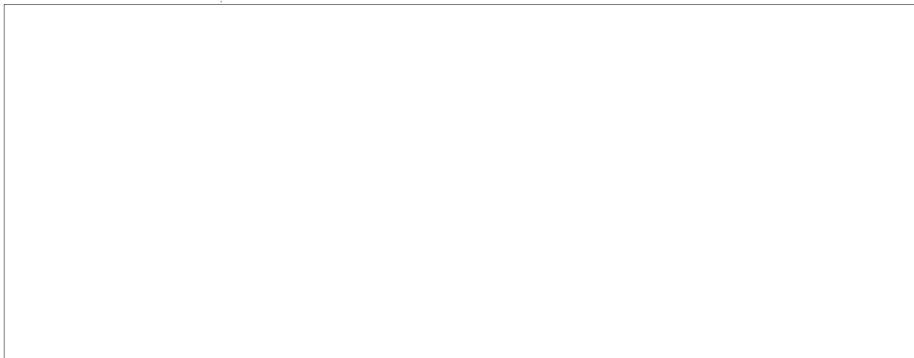
This probably will consist largely of widespread shellings. There are several areas, however, where significant ground fighting also appears likely.

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Attacks over the past two weeks against heavily defended American bases northwest of Saigon presumably are a reflection of this decision on the part of the enemy. Recent intercepts indicate that further attacks in northwestern III Corps are imminent. The enemy may also be preparing to step up sapper and terrorist attacks in the Saigon area. South Vietnamese forces recently captured 450 pounds of explosives from a Communist sapper unit on the outskirts of Bien Hoa.

In the central part of the country, Communist communications suggest plans for stepping up attacks in Kontum Province.

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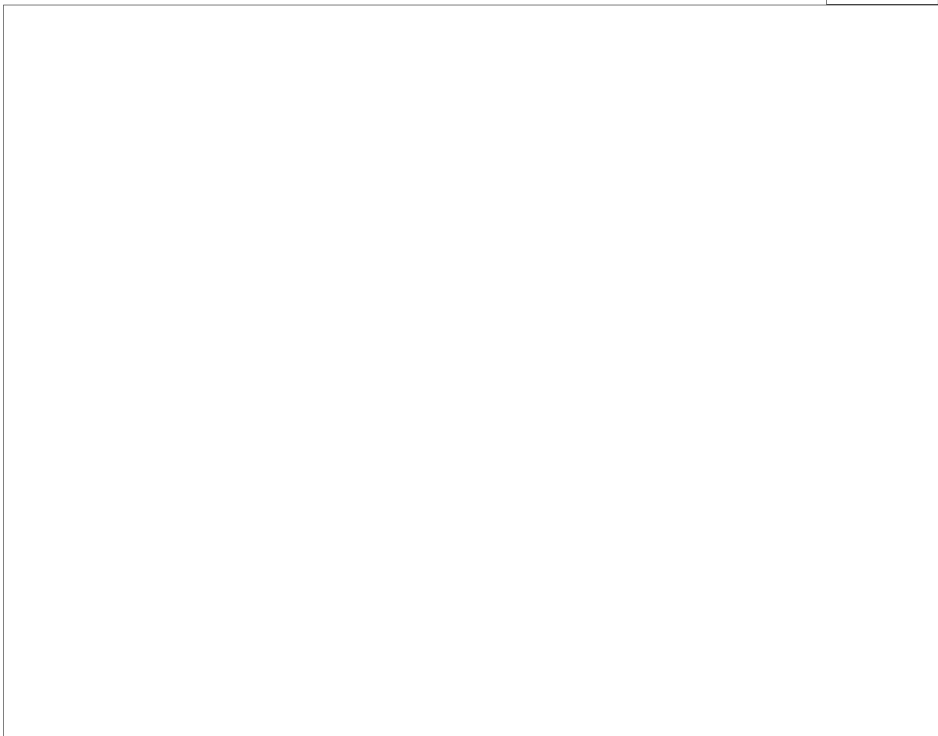
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The South Vietnamese want the upcoming SEATO conference in Bangkok to issue a clear statement of support for the allied war effort against the Communists in Vietnam.

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Fedayeen Problem in South Lebanon Prompts Israeli Military Move



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Hanoi is now engaged in another wholesale recall of diplomatic personnel, presumably for briefings on the recent policy deliberations. Such general recalls have been the practice in the past. The present recall for the first time includes a large number of Liberation Front representatives.

*MIDDLE EAST*

President Hilu has ordered the Lebanese Army to take whatever measures are necessary to control the fedayeen. He has not told other political leaders of this step, however, and it is highly questionable whether his new-found resolve would stand up in the face of their protests. Nor does the army--whose effectiveness is limited in the best of times and which at the moment mirrors the growing split between Christians and Muslims in the country as a whole--seem likely to take the kind of decisive action Hilu is demanding.

The Lebanese are also aware that the Israelis have moved troops by helicopter into the section of the Golan Heights which is adjacent to the terrorist infiltration route from Syria into Lebanon. They say that an Israeli operation against the terrorists in Lebanon would put the Lebanese Army in an impossible situation, but they would welcome any attempt to stop the fedayeen before they leave Syria.

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Prime Minister Rifai told Ambassador Symmes yesterday that the fedayeen have agreed to keep their troops out of Amman. He said this word came from Yasir Arafat himself. Rifai, however, seemed skeptical that this agreement would be implemented, and we fully share his skepticism. The fedayeen have been working toward a major test of strength with the Jordanian Government for weeks.

*EUROPE*

European foreign exchange market disorders triggered by De Gaulle's resignation continue. Yesterday saw a scramble for German marks (DM) by holders of francs, sterling and dollars. This followed West German Finance Minister Strauss' suggestion that under certain conditions the mark could be revalued. Since Strauss' remarks government spokesmen have twice denied that a revaluation was in the works, but this is unlikely to calm the market. With the DM exchange rate quickly approaching its ceiling, the Bundesbank took in close to \$800 million this week.

The heaviest foreign exchange speculation was against the British pound, Europe's most vulnerable currency. The Bank of England lost about \$200 million during the past week defending the pound, most of which slipped out during the latter half of the week. Britain's entire losses were absorbed by its reserve holdings because it did not use the remaining facilities available to it.

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The Bank of France, while permitting the exchange value of the franc to fall gradually to the lowest level permitted by international agreement, lost only about \$170 million in foreign exchange in support of the franc during the week. This outflow, financed primarily through swap arrangements with the US and other governments, was no greater on a daily average than the approximately \$400 million lost over the previous two weeks.

SOVIET AFFAIRS

There is nothing significant to report.

II. OTHER IMPORTANT DEVELOPMENTS

BOLIVIA

Peasant leaders made it clear during the burial services for Barrientos that they want President Siles out of office, but Siles is hanging on.

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